

## Navajo County

### Annual financial statement and compliance audits

The County's fiscal year 2024 reported financial information is reliable. However, the County's auditors reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.<sup>1</sup>

#### Audits' purpose

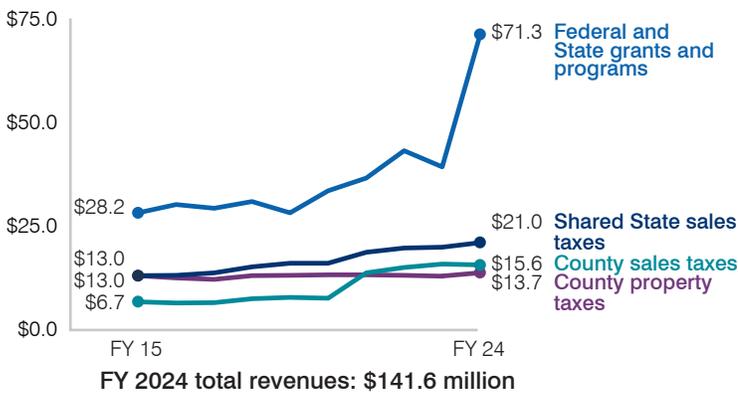
To express opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

#### Primary revenue sources and how they were spent

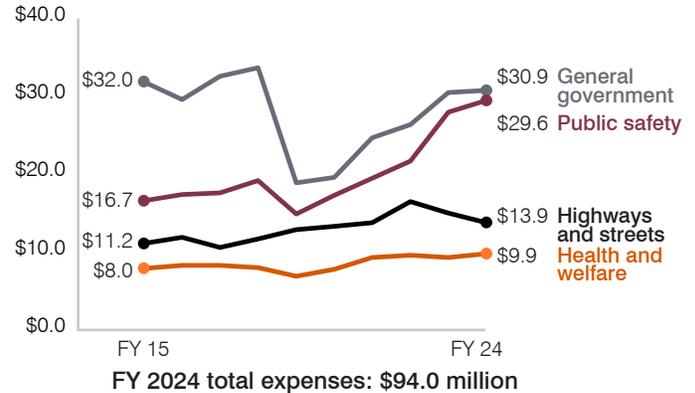
Fiscal years (FY) 2015 through 2024

(In millions)

##### Primary revenue sources



##### Primary expense purposes



Source: Auditor General staff summary of information obtained from the County's financial statements.

#### Largest primary revenue sources FY 2024

- **Federal and State grants and programs 50.4%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes. In fiscal year 2024, the County received a \$20 million capital contribution from the State of Arizona for the Little Colorado Winslow levee project as well as additional State operating grants from the Commerce Authority, the Criminal Justice Commission, the Department of Public Safety, and the Department of Military Affairs.
- **Shared State sale taxes 14.8%**—Comes from State sales and other shared taxes the State of Arizona collects and the Arizona State Treasurer distributes to the County based on the State's statutory distribution formulas.

#### Largest primary expense purposes FY 2024

- **General government 32.9%**—Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.
- **Public safety 31.5%**—Costs for protecting the County's persons and property with the largest portion for County jail operations, County Sheriff's office services, probation services, and Flood Control District operations.

#### County's net position increased in FY 2024

County revenues were \$47.6 million greater than its expenses, increasing total net position to \$148.4 million at June 30, 2024. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

<sup>1</sup> The certified public accounting firm Fester and Chapman, PLLC conducted these audits under contract with the Arizona Auditor General in accordance with Arizona Revised Statutes §41-1279.21.

## Auditor findings and recommendations

Summarized below are the findings and recommendations included in the County's [Single Audit Report](#) where there is further information and the County's responses. The County needs to:

- Make it a priority to develop, document, and implement policies and procedures to effectively respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access, damage, or loss to its IT systems and financial and other data, including protecting sensitive data. Further, the County needs to identify, classify, and inventory the sensitive information that the County holds, and assess where stronger IT access and security controls may be needed to protect it. The County's auditors found that processes for managing and documenting risks and control procedures over IT systems and data were not sufficient, which may put County operations and IT systems and data at unintended and unnecessary risk of potential harm. Similar findings were initially reported in fiscal year 2007.
- Strengthen policies and procedures to properly administer its Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises federal program. The County's auditors found that the County charged payroll costs to this federal program based on budgeted time allocations rather than actual time spent on program activities. Further, the County lacked sufficient documentation to support the actual time worked on the program and did not perform a reconciliation process to adjust these charges to reflect the actual effort expended on the federal program. The absence of a reconciliation process between budgeted and actual time spent on program activities may have resulted in inaccurate payroll charges to the federal program, which could potentially impact the allowability of payroll expenses charged to the program and result in questioned costs.
- Strengthen policies and procedures to properly administer its Workforce Innovation and Opportunity Act (WIOA) federal program. The County's auditors found several instances of noncompliance, including charging payroll costs to the federal program based on budgeted time allocations rather than actual time spent on the program; failing to spend the required 20 percent, or \$83,949, of federal WIOA Youth Activities monies for in- and out-of-school youth with paid and unpaid work experiences; failing to conduct regular oversight and monitoring of its subrecipients' programmatic and financial activities; and submitting required monthly reimbursement reports and quarterly programmatic reports up to 120 days past their prescribed deadlines. Such noncompliance increases the likelihood of unallowable costs, misallocated resources, and noncompliance with federal program objectives. Similar findings were initially reported in fiscal year 2019.

## Auditor General website report links

- The June 30, 2024, Navajo County Annual Comprehensive Financial Report and Single Audit Report that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and the County auditors' reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
  - [Financial Report User Guide for State and Local Governments](#).
  - [Internal Control and Compliance Reports User Guide](#).